



ENVIRONMENTAL LAW & POLICY CENTER

Protecting the Midwest's Environment and Natural Heritage

MEMORANDUM

TO: ELPC Clean Energy, Rural and Agriculture Colleagues

FROM: Howard Learner, Andy Olsen, Al Grosboll and Steve Falck, ELPC

RE: Summary of 2014 Farm Bill's Energy Title Provisions

DATE: March 7, 2014

After three years of deliberation, the new Farm Bill – the Agricultural Act of 2014 – is now law. This Farm Bill includes the third Energy Title, building upon the Energy Titles in the 2002 and 2008 Farm Bills. The Energy Title provides total mandatory funding of \$694 million over five years (2014 – 2018), which compares to \$1.12 billion over four years in the 2008 Farm Bill and \$800 million over five years in the 2002 Farm Bill. The Congressional Budget Office estimates that the outlays for the Energy Title over 10 years will be \$880 million.

The 2014 Farm Bill thus reduces the scope of programs and amount of funding compared to the 2008 Farm Bill, but some funds have been re-allocated in favorable ways. For example, the important and successful Rural Energy for America Program is now the top-funded program.

The 2014 Farm Bill's Energy Title includes several programs that ELPC strongly supports: (1) Rural Energy for America Program (REAP) – with program improvements and continued funding; (2) Energy audits and renewable energy development assistance (included in REAP) – with continued funding; and (3) Biomass Crop Assistance Program – continued funding with new conservation policies. ELPC is also pleased that the Repowering Assistance program to advance low carbon advanced biofuels was continued.

Highlights of 2014 Farm Bill's Energy Title Programs

Section 9007 – Rural Energy for America Program (REAP)

- REAP provides competitive grants and loan guarantees to agricultural producers, rural small businesses and rural electric cooperatives for a broad range of renewable energy and energy efficiency technology installations and improvements. REAP serves all agricultural sectors and has funded projects in every state. REAP is now the largest Farm Bill – Clean Energy program with mandatory funding of \$50 million per year for 2014 – 2018. An additional \$100 million in five-year discretionary funding is authorized, subject to annual appropriations.

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- A new three-tiered application system is implemented with simpler applications for the smallest projects and increasing application complexity as a project size increases. The first tier is for projects with total activity cost of \$80,000 or less, the second tier is for projects with total activity cost between \$80,000 and \$200,000, and the third tier is for projects with total activity cost over \$200,000.
- REAP is now prohibited from funding flexible fuel pumps for dispensing ethanol-gasoline blends and, also, any systems for dispensing energy at retail.
- Stand-alone feasibility studies are no longer funded under REAP.
- REAP continues to include energy audit/renewable energy development assistance in which USDA provides competitive grants to state and regional entities (state governments, universities, rural electric cooperatives and others) to help farmers and rural businesses become more energy efficient and effectively use renewable energy technologies. Funding is restricted to 4% of mandatory funding, or \$10 million over five years.
- A "council," as defined under section 1528 of the Agriculture and Food Act of 1981, is now added as an eligible REAP grant recipient. A council is a nonprofit of a state, tribe or local government or other nonprofit that has been designated by the Governor or state legislature to receive technical and financial assistance.

Section 9010 – Biomass Crop Assistance Program (BCAP)

- The Biomass Crop Assistance Program (BCAP) was authorized in the 2008 Farm Bill to support the establishment and production of “eligible crops” for conversion to bioenergy, and to provide cost-sharing incentives for supply of “eligible material” for use in biomass conversion facilities. By paying producers of biomass energy resources, BCAP attempts to reduce costs and share the risks of transitioning to new and expanded sources of sustainable biomass energy. BCAP has mandatory funding of \$25 million per year for 2014 – 2018.
- The 2014 Farm Bill requires that eligible crops and eligible materials be harvested or collected consistent with a conservation or forest stewardship plan, and that these plans must be included in the contract. It clarifies that commodities and other subsidized crops are not eligible materials or eligible crops under the program.
- The 2014 Farm Bill expands the definition of “eligible land” to include land enrolled in either the Agricultural Conservation Easement Program or the Conservation Reserve Program, but only if the contract on the land expires at the end of the current fiscal year. Highly erodible lands are also not included. The definition of “eligible crop” excludes crops grown on federal-owned land, state-owned land, or native sod.
- The definition of “eligible material” is expanded to include a more detailed list of what products qualify for the matching payment incentives. Included materials may come from certain federal lands and certain wood cleared for fire hazard reduction. Excluded materials have also been expanded to include bagasse, woody material used for other markets and algae. Title 1 commodity crop residues from farms are allowed.
- Cost-sharing for establishment payments has been reduced from 75% to 50% (or \$500 per acre, or \$750/acre for socially disadvantaged farmers).
- BCAP matching payments for eligible materials may not exceed more than 50% of total funding and may not be less than 10% of total funding. Matching payments are capped at \$20 per dry ton over two years.
- Technical assistance is now an eligible activity under BCAP.

Section 9002 – Biobased Markets Program

Biobased markets provide a federal preference for procurement of biobased products.

- The 2014 Farm Bill adds labeling guidelines, administrative requirements, and other implementation standards for procurement of biobased products.
- The program has mandatory funding of \$3 million and discretionary funding of \$2 million for each fiscal year for 2014 – 2018.

Section 9003 – Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance

This program provides loan guarantees to accelerate development of advanced biofuel, renewable chemical and biobased product manufacturing facilities.

- The 2014 Farm Bill expands program eligibility to renewable chemicals and biobased product manufacturing. Biobased product manufacturing is capped at 15% of available mandatory funds in 2014 and 2015.
- Grants for demonstration-scale plants are eliminated in favor of loan guarantees.
- The bill directs the USDA to ensure diversity in the types of biorefineries approved.
- Mandatory funding of \$100 million is provided for FY 2014 and \$50 million per year for FY 2015 – 2016. The 2014 Farm Bill permits discretionary funding of \$75 million per year for FY 2014 – 2018.

Section 9004 – Repowering Assistance Program

Repowering Assistance encourages existing biorefineries to use biomass for heat and power. Repowering Assistance is funded at \$12 million for 2014, plus \$10 million in discretionary funding for each year for 2015 – 2018.

Section 9005 – Bioenergy Program for Advanced Biofuels

This program encourages production of advanced biofuels, excluding corn starch ethanol. The program receives mandatory funding of \$15 million per year for 2014 – 2018, and an additional \$20 million per year in discretionary funding.

Section 9006 – Biodiesel Fuel Education Program

The 2014 Farm Bill continues the existing biodiesel fuel education program with mandatory funding of \$5 million over 2014 – 2018.

Section 9008 – Biomass Research and Development

This program supports advanced research to improve bioenergy and is funded at \$12 million over five years in mandatory funding. It permits discretionary funding of \$20 million for each of FY 2014 – 2018.

Section 9012 – Community Wood Energy Program

The Community Wood Energy Program provides grants to state or local governments to plan and install wood energy systems in community facilities.

- This program could be viewed as the public sector version of Repowering Assistance, since it is intended for central and district heating systems and combined heat and power.
- The program received only discretionary funding of \$5 million per year for 2014 – 2018.

Section 9015 – Energy Efficiency Report for USDA Facilities

This section orders a report on energy use and audits from USDA headquarters and major regional facilities, energy efficiency efforts to date, and potential plans.

Repeal of Existing Programs

The 2014 Farm Bill repealed the Forest Biomass for Energy program as well as the Biofuels Infrastructure Study and Renewable Fertilizer Study. Neither study was completed since authorized in 2008.

CONCLUSION

The Environmental Law & Policy Center is pleased that the 2014 Farm Bill's Energy Title includes many of our recommended improvements – including Rural Energy for America Program (REAP), energy audits, rural repowering, biomass crop assistance, and advanced biorefinery expansion. Funding remains a concern – Congress should provide additional support for REAP and certain other demonstrably successful key clean energy programs with discretionary funding that is authorized by the Farm Bill, but must be implemented through supplemental annual appropriations. Let's work together to achieve the full potential benefits of these clean energy development programs.

Five-Year Funding Levels in 2014 Farm Bill's Energy Title

All Amounts in \$\$ Millions

Section name	Mandatory	Discretionary
Biobased Markets Program	\$15	\$10
Biorefinery Assistance	\$200	\$375
Repowering Assistance Program	\$12	\$50
Bioenergy Program for Advanced Biofuels	\$75	\$100
Biodiesel Fuel Education Program	\$5	\$5
Rural Energy for America Program	\$250	\$100
Biomass Research and Development	\$12	\$100
Feedstock Flexibility Program for Bioenergy Producers	Renewed	
Biomass Crop Assistance Program	\$125	\$0
Community Wood Energy Program	\$0	\$25
Total Funding	\$694	\$765
Total Funding per year	\$139	\$153
Comparison to 2008 Farm Bill, per year	-47%	-45%
<i>All amounts in \$\$ MM</i>		
<i>Prepared by Environmental Law & Policy Center</i>		